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ZNY CCCCC ZZH  
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FM AMEMBASSY BAKU  
TO RUEHC/SECSTATE WASHDC PRIORITY 1858  
INFO RUEHAK/AMEMBASSY ANKARA 1874  
RUEHAH/AMEMBASSY ASHGABAT 0404  
RUEHTA/AMEMBASSY ASTANA  
RUEHSI/AMEMBASSY TBILISI 1439  
RUEHYE/AMEMBASSY YEREVAN 1214

C O N F I D E N T I A L BAKU 001754

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E.O. 12958: DECL: 11/30/2016  
TAGS: [ENRG](#) [AJ](#) [PREL](#) [PGOV](#)  
SUBJECT: AZERBAIJAN: GEORGIAN AMBASSADOR ON PM NOGHAIDELI  
VISIT, GAS ISSUES

REF: A. A) TBLISI 3140

[1](#)B. B) BAKU 1720

Classified By: Ambassador Anne. E. Derse, Reasons 1.4 (b,d)

[1](#)1. (C) SUMMARY: According to the Georgian Ambassador to Azerbaijan the November 30 visit of PM Noghaidele to Baku was "very positive," and highlighted Georgia's and Azerbaijan's shared strategic vision on energy security and on seeking European markets for Caspian energy. In the meeting between Noghaidele and President Aliyev, the two leaders focused on a two-pronged strategy for dealing with Georgia's upcoming winter gas shortage: pressuring BP to give the GOAJ more associated gas from its ACG field for domestic use instead of using it for re-injection, and convening a trilateral summit of energy inisters to discuss possible Turkish re-allocation of contracted for 2007 gas from the Shah Deniz field. The Georgian Ambassador asked for USG helpin advancing this two-pronged agenda. END SUMMAR.

[1](#)2. (C) On December 1 Econoff met with the Geogian Ambassador to Azerbaijan Zurab Gumberidze, o get a read-out of Georgian Prime Minister Noghaidele's November 30 visit to Azerbaijan to discuss energy issues.

[1](#)3. (C) Gumberidze said that President Aliyev told Noghaidele that he and Georgian President Saakashvili had had a "great meeting" on November 28 on the sidelines of the Minsk summit, talking for ninety minutes although the scheduled meeting time was for only thirty minutes. Saakashvili's positive public comments the following day in London on bilateral Azerbaijan-Georgian relations and the upcoming winter reflecting this assessment (note: Saakashvili was quoted by press as saying that "I think this winter will become a historic example of brotherly relations between Azerbaijan and Georgia.").

[1](#)4. (C) Gumberidze said that PM Noghaidele and President Aliyev had a very good, pragmatic, detail-oriented meeting. Noghaidele got the clear sense that the GOAJ would do all that it could to help Georgia this winter, although specifics of volumes and price remain an open question. As to Georgian gas needs, Gumberidze said that Georgia currently was scheduled to get 270 million cubic meters of gas in 2007, but needed 1.8 billion cubic meters (bcm), i.e. it needed an additional 1.5 bcm. On a longer-term, strategic note, both Noghaidele and Aliyev agreed that it was very important to bring about South Caucas energy security and to pass a positive message to European countries. Noghaidele also got a clearer picture from these meetings of how the GOAJ is

approaching its energy policy.

#### SHORT-TERM GAS

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15. (C) Gumberidze said that Noghaideli and Aliyev agreed that they must adhere to their long-term commitments to Turkey and also to deliver at least nominal amounts to Greece this year - something along the lines of 200-400 million cubic meters - in order to gain European trust and confidence concerning their ability to transport gas. They agreed that the Russian pressure is political, as Russia feels that Georgia and Azerbaijan are encroaching upon its markets, and that they did not want to give Russia the opportunity to demonstrate that Georgia and Azerbaijan were unable to deliver gas. As such, it was crucial that Georgia and Azerbaijan stay united in implementing the project of selling gas to Europe, and that the long-term contractual agreements stay in place.

#### TWO TRACK POLICY

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16. (C) TRILATERAL MEETING: Gumberidze said that Noghaideli and Aliyev agreed on two main steps to take concerning how to best arrive at a decision on what to do about the coming winter's gas problems. First, they agreed that there should be a meeting among the three countries' (i.e. Turkey too) Energy Ministers, with a suggested date of between December 6 through 8. The first day of this meeting would be an experts' meeting, with the following day's meeting among the Energy Ministers. Georgia has proposed Tblisi as the venue, but Gumberidze said Baku would be an acceptable alternative. Gumberidze said that Georgia is waiting to hear back from Turkey on this proposal, and would let the Ambassador know as soon as he heard anything.

17. (C) TRILATERAL (CONT): At such a trilateral meeting, Noghaideli and Aliyev agreed it would be crucial for Turkey to agree to defer acceptance of its contracted for 2007 Shah Deniz gas, citing either technical (inability to receive it) or other reasons. Gumberidze said that since the key months for Georgia are January through March 2007, a three-month delay by Turkey in accepting gas would be sufficient. Gumberidze said optimally Turkey would not accept 2.0 to 2.3 bcm of its contracted for 2007 Shah Deniz 2.8 bcm amount, taking only 0.5 bcm, with some of that possibly to be passed to Greece. If Turkey agreed to this proposal, then from 1 to 1.2 bcm of that Shah Deniz gas could go to Georgia, with the rest going to Azerbaijan. Gumberidze said that if a trilateral consensus emerged from such a meeting, then the next step would be negotiating with the Shah Deniz consortium as to price, with the Georgian expectation being that they could buy the gas at USD 120 per thousand cubic meter (mcm) or lower.

18. (C) MORE ACG FROM BP: Aliyev told Noghaideli that he was having a hard time negotiating with BP over the amount of the ACG field's gas that should be re-injected, vice given to SOCAR for domestic use. He told Noghaideli that he would "push BP" for giving 3 bcm of ACG associated gas to SOCAR. In this regard, Gumberidze referred to the upcoming visit of the Georgian PM's ten-day trip to the US, where he would be meeting with Vice-President Cheney and Secretary Rice among others. Gumberidze said that Noghaideli would be using this opportunity to deliver the message that helping Georgia this winter was crucial, and that BP was in a key position to help in this regard.

19. (C) Econoff pointed out that if both these strategies (pressure BP for more ACG associated gas and Turkey for more Shah Deniz gas) worked, then there would more than enough gas for Georgia's needs. Gumberidze concurred, saying that if BP were convinced to cooperate, then there would not be a need for as much gas from Turkey. As it was, Gumberidze said that the leaders were pursuing both strategies, to maximize the chance of success.

110. (C) Gumberidze said there were two major uncertainties

regarding Shah Deniz gas: when Botas would be technically ready to receive it, and when and how much the Shah Deniz fields could produce. In this regard he said that he would really like to know the "real schedule" for Shah Deniz production, as opposed to what BP was announcing publicly.

#### RUSSIA

11. (C) Gumberidze said Noghaideli and Aliyev agreed that Russia's offer of USD 230 per mcm was unacceptable. Noghaideli and Aliyev have agreed to keep each other informed as to the status of Gazprom negotiations, and to inform the other beforehand if agreement were to be reached with Gazprom. He said Georgian gas distribution companies were talking with Gazprom's export arm in Yerevan, where the Georgians were asked what their maximum acceptable price for gas. Although the Georgians did not submit an answer, Gumberidze said that the Georgians talked of a price around USD 120 per mcm as being their maximum acceptable price.

#### IRAN

12. (C) Gumberidze said the Azerbaijani position re Iran gas was that since the offered Iranian price was so high, neither Azerbaijan nor Georgia felt the need to negotiate (see Reftel B - In his meeting with the Ambassador, Aliyev had said that the pricing formula used by the Iranians resulted in a price of USD 300 per mcm). Gumberidze spoke with the Georgian Ambassador in Tehran recently, who said that on December 20 there will be a ceremony in Tehran celebrating the opening of the new gas pipeline to Armenia. However, according to the Georgian Ambassador in Tehran, this pipeline would not be working this winter, which would mean that Georgia would remain as a transit country for gas to Armenia, which gives Georgia additional opportunities when discussing gas supplies.

#### TRILAT WITH BP, STATOIL?

13. (C) Saying that the important issue was the political decision among Georgia, Turkey and Azerbaijan concerning Shah Deniz gas, Gumberidze was uncertain of the desirability of

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trilateral meetings on the gas issue that included BP and Statoil in mid-December. He did say that even if the three governments agreed concerning re-distribution of 2007 Turkish Shah Deniz gas, then there would be a short time for the related commercial contract renegotiations.

#### KAZAKHSTAN

14. (C) Aliyev told Noghaideli that he was "very positive" on the possibility of Kazakh oil and gas transiting Azerbaijan and Georgia towards Europe, claiming that at a recent meeting Nazarbayev asked him to "give me a way" to ship westwards. (Reftel B)  
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